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PUBLIC UTILITY COMMISSION OF TEXAS

APPLICATION OF
SOUTHWESTERN ELECTRIC POWER COMPANY
FOR AUTHORITY TO CHANGE RATES

REBUTTAL TESTIMONY OF
JOHN AARON
FOR
SOUTHWESTERN ELECTRIC POWER COMPANY

APRIL 23, 2021

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EXHIBITS

EXHIBIT JOA – 1R

Allocation Comparison

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is John O. Aaron. I am a Director, Regulated Pricing and Analysis, in the Regulatory Services Department of American Electric Power Service Corporation (AEPSC). AEPSC is a subsidiary of American Electric Power Company, Inc. (AEP) that provides corporate support services to the operating subsidiaries of AEP, including Southwestern Electric Power Company (SWEPCO or the Company). My business address is 212 East Sixth Street, Tulsa, Oklahoma 74119-1295.

Q. DID YOU FILE DIRECT TESTIMONY IN THIS CASE?

A. Yes.

II. PURPOSE OF REBUTTAL TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to recommendations by Eastman Chemical Company witness Ali Al-Jabir, NUCOR Steel Longview (NUCOR) witness James Daniel, Texas Industrial Energy Consumers (TIEC) witness Jeffry Pollock, and Public Utility Commission of Texas (Commission) witness Adrian Narvaez (Staff).

III. RESPONSE TO EASTMAN CHEMICAL COMPANY

Q. MR. ALI AL-JABIR RECOMMENDS (P.26) THE COMMISSION ELIMINATE APPROXIMATELY \$5.7 MILLION IN TRANSMISSION COSTS FROM SWEPCO’S REVENUE REQUIREMENT ALLEGING THAT THE ALLOCATION

1 IS NOT BASED ON COST CAUSATION REQUIREMENTS. DO YOU AGREE
2 WITH HIS RECOMMENDATION?

3 A. No, I do not. The \$5.7 million in transmission costs allocated to the Texas jurisdiction
4 represents the costs appropriately allocated to Texas based on the demands used by
5 SPP for the billing of transmission expenses incurred by SWEPCO. If the retail behind
6 the meter generation is removed from the Texas jurisdictional allocations, the costs
7 incurred to provide service to SWEPCO's Texas jurisdiction would be inappropriately
8 shifted to SWEPCO's other jurisdictions (Arkansas, Louisiana, and the Federal Energy
9 Regulatory Commission (FERC)). Please see the rebuttal testimony of SWEPCO
10 witness C. Richard Ross for a discussion of Southwest Power Pool (SPP) behind the
11 meter generation load reported to SPP for the billing of transmission charges to
12 SWEPCO.

13 IV. RESPONSE TO NUCOR STEEL LONGVIEW

14 Q. MR. JAMES DANIEL RECOMMENDS (P. 15) AN ADJUSTMENT TO SWEPCO'S
15 CLASS COST-OF-SERVICE STUDY TO CORRECT THE ALLOCATION OF
16 LINE TRANSFORMERS. DO YOU AGREE WITH HIS RECOMMENDATION?

17 A. Yes, I do. As noted by Mr. Daniel, this correction was identified by SWEPCO in its
18 response to NUCOR request for information 3-20. SWEPCO's rebuttal cost-of-service
19 study incorporates this change.

1 V. RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS

2 Q. MR. JEFFRY POLLOCK RECOMMENDS (PP. 32-34) A CORRECTION TO THE
3 SYSTEM LOAD FACTOR USED BY SWEPCO IN ITS 4CP-A&E
4 METHODOLOGY. DO YOU AGREE WITH HIS RECOMMENDATION?

5 A. Yes. I agree to the correction proposed by Mr. Pollock. Mr. Pollock's revision to the
6 system load factor to reflect the single annual coincident peak is consistent with the
7 Commission's decision in Docket No. 46449. SWEPCO inadvertently applied an
8 average demand system load factor as calculated on Schedule O-1.6 rather than the
9 single annual peak demand load factor. This correction is reflected in SWEPCO's
10 rebuttal cost-of-service study.

11 Q. MR. POLLOCK CLAIMS (PP. 35-36) THAT SWEPCO'S TRANSMISSION
12 ALLOCATION FACTOR IN THE CLASS COST-OF-SERVICE STUDY
13 REFLECTED SPP ZONE 1 PEAK DEMANDS RATHER THAN SWEPCO
14 SYSTEM PEAK DEMANDS. WHAT IS YOUR RESPONSE?

15 A. Mr. Pollock is not correct. The peak demands used in the class cost-of-service study
16 are SWEPCO system peak demands and not SPP Zone 1 as claimed by Mr. Pollock.
17 Exhibit JOA-1R is a comparison of the system peak demands indicating the production
18 and transmission system peak demands used in the class cost-of-service study are the
19 same with the exception of the Large Light and Power Transmission class that includes
20 the load served from behind the meter generation included for transmission allocation
21 purposes.

22 Q. MR. POLLOCK TESTIFIES (PP. 38-39) THAT IT IS NOT APPROPRIATE TO
23 INCLUDE RETAIL BEHIND THE METER GENERATION IN DETERMINING

1 THE ALLOCATION OF TRANSMISSION COSTS TO CUSTOMER CLASSES.

2 WHAT IS YOUR RESPONSE?

3 A. The transmission allocation factor applied by SWEPCO reflects the appropriate
4 allocation to classes based on costs billed to SWEPCO by SPP for transmission costs
5 incurred to serve its customer classes. Excluding the behind the meter generation from
6 the class that has that load would inappropriately shift the transmission costs incurred
7 by SWEPCO to other classes that should not be responsible for those transmission
8 costs. Please see the rebuttal testimony of SWEPCO witness C. Richard Ross for a
9 discussion of SPP behind the meter generation reported to SPP for the billing of
10 transmission charges to SWEPCO.

11 VI. RESPONSE TO PUBLIC UTILITY COMMISSION OF TEXAS STAFF

12 Q. DID YOU REVIEW STAFF'S COST-OF-SERVICE STUDY PREPARED BY MR.
13 ADRIAN NARVAEZ?

14 A. Yes. The jurisdictional and class cost-of-service studies prepared by Staff appear
15 accurate but for a few minor inconsistencies on selected functional calculations. The
16 inconsistencies do not change the retail revenue requirement by class or function, only
17 the calculated base rate revenue deficiency by function.

18 First, the functional calculations for GEN DEMAND, GEN ENERGY, and
19 TRAN functions have proposed revenue (line 65 of these functional calculations)
20 reduced by miscellaneous revenues when proposed revenues should equal cost of
21 service. Second, the Class Summary, DIST SEC, and DIST CUST calculations are

1 missing calculations (lines 65-80 of these functional calculations) for the Residential
2 DG and Light and Power DG classes.

3 Q. MR. NARVAEZ RECOMMENDS (P. 5) THE COMMISSION ADOPT STAFF'S
4 CLASS COST-OF-SERVICE STUDY AS SHOWN IN ATTACHMENT AN-4 FOR
5 SETTING RATES. DO YOU AGREE?

6 A. I can agree to the underlying methodology and calculations when updated for the
7 revisions I describe in this rebuttal testimony but I cannot agree with the calculated
8 results. SWEPCO disclosed changes needed to its jurisdictional and class allocations
9 in response to several data requests and in the rebuttal testimony above to Mr. Daniel
10 and Mr. Pollock that should be reflected in Commission Staff's number running
11 calculations.

12 VII. SWEPCO REBUTTAL COST-OF-SERVICE STUDY

13 Q. HAS SWEPCO PREPARED A REBUTTAL COST-OF-SERVICE STUDY?

14 A. Yes. A rebuttal Texas jurisdictional and class cost-of-service study, included with my
15 rebuttal workpapers, was prepared to reflect changes to certain costs allocated to the
16 Texas retail jurisdiction and to reflect allocation changes among SWEPCO's Texas
17 retail classes, based on SWEPCO's response to discovery requests and review of
18 Intervenor testimonies. The result is a decrease to the Texas retail jurisdictional base
19 rate revenue requirement and also a shift of base rate revenues among the retail
20 customer classes. The rebuttal Texas retail jurisdictional revenue requirement reflects
21 changes in the total company values described in the rebuttal testimony of SWEPCO
22 witness Michael A. Baird and changes that I describe in my testimony that follows.

1 Table 1 provides a summary of the changes to SWEPCO's Texas base rate revenue
2 requirement in total and by major class at an equalized return.

	<u>TABLE 1</u>		
	<u>FILED</u>	<u>REBUTTAL</u>	<u>CHANGE</u>
Texas Retail	<u>\$ 451,529,538</u>	<u>\$ 446,466,201</u>	<u>\$ (5,063,337)</u>
Residential	\$ 188,152,651	\$ 188,778,452	\$ 625,801
Commercial	\$ 193,497,125	\$ 191,044,316	\$ (2,452,809)
Industrial	\$ 57,506,958	\$ 54,451,107	\$ (3,055,851)
Municipal	\$ 4,303,143	\$ 4,219,413	\$ (83,730)
Lighting	\$ 8,069,661	\$ 7,972,913	\$ (96,748)

3
4 Q. WHAT CHANGES ARE INCLUDED IN THE REBUTTAL JURISDICTIONAL
5 AND CLASS COST-OF-SERVICE STUDIES?

6 A. In addition to the changes described earlier in my rebuttal testimony in response to Mr.
7 Daniel and Mr. Pollock, the following changes were made.

8 In response to East Texas Electric Cooperative and Northeast Texas Electric
9 Cooperative request (ETEC-NTEC 2-5), SWEPCO responded there should be no direct
10 assigned costs to the wholesale class in the jurisdictional cost-of-service study.
11 SWEPCO collects revenues from the wholesale customers for the associated
12 investments reducing cost allocation. This change removing the allocation of selected
13 distribution investments from the wholesale jurisdiction increases the allocation to
14 other jurisdictions that is offset by a larger allocation of distribution miscellaneous
15 revenues.

16 In response to East Texas Salt Water Disposal request (ETSWD 2-2), SWEPCO
17 responded that large customer adjustments in other retail jurisdictions were not

1 properly reflected in the jurisdictional production and transmission demand allocations.
2 This change results in a slight decrease to the jurisdictional production allocation and
3 a slight increase to the jurisdictional transmission allocation.

4 In response to Texas Industrial Energy Consumers request (TIEC 7-1),
5 SWEPCO identified two corrections to the cost-of-service study. First, in TIEC 7-1a,
6 SWEPCO corrected the components of its Test-Year prepayment balances included in
7 rate base. Second, in TIEC 7-1d, SWEPCO corrected the quantification and allocation
8 of major account representative costs recorded in FERC Account 908.

9 Finally, in reviewing Test-Year end customer counts, it was determined that the
10 Cotton Gin class was overstated resulting in overstated Test-Year base rate revenues.
11 This correction reduces Test-Year base rate revenues by \$33,928.

12 Q. ARE THE CHANGES SPONSORED BY SWEPCO WITNESS MICHAEL BAIRD
13 INCLUDED IN THE REBUTTAL COST-OF-SERVICE STUDY?

14 A. Yes.

15 VIII. CONCLUSION

16 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

17 A. Yes, it does.

SOUTHWESTERN ELECTRIC POWER COMPANY
Production and Transmission Average Demands

	Average Demand		
<u>Description</u>	<u>Production</u>	<u>Transmission</u>	<u>Difference</u>
<u>Residential</u>			
Residential	543,534	543,534	-
Residential DG	338	338	-
<u>Commercial</u>			
Cotton Gin	5	5	-
General Service w/ Demand	57,102	57,102	-
General Service No Demand	18,385	18,385	-
General Service DG	32	32	-
Light & Power Pri	91,509	91,509	-
Light & Power Sec	418,073	418,073	-
Light & Power Sec DG	374	374	-
<u>Industrial</u>			
Large Light & Power Pri	26,145	26,145	-
Large Light & Power Trans	97,761	246,761	149,000
Metal Melting Service Dist Pri	4,189	4,189	-
Metal Melting Service Dist Sec	151	151	-
Metal Melting Service Trans	4,193	4,193	-
Oilfield Pri	44,187	44,187	-
Oilfield Sec	3,461	3,461	-
<u>Municipal</u>			
Municipal Pumping	7,229	7,229	-
Municipal Service	4,226	4,226	-
<u>Lighting</u>			
Customer Owned Lighting	-	-	-
Municipal Public & Hwy Street Lighting	-	-	-
Outdoor Private & Area Lighting	-	-	-
Public & Hwy Street Lighting	-	-	-
TOTAL TEXAS RETAIL	1,320,895	1,469,895	149,000